



MPF® Original

MPF Original allows you, a Participating Financial Institution (PFI), to share the credit risk associated with home mortgage finance with your Federal Home Loan Bank. MPF Original offers you the ability to originate, sell, and service fixed-rate, residential mortgage loans and receive a credit enhancement (CE) fee for sharing the credit risk. Your FHLBank manages the liquidity, interest rate, and prepayment risks of the loans while you manage the credit risk of the loans. The credit risk sharing feature of MPF Original allocates future loan losses, if any, after borrower equity and private mortgage insurance are depleted between the FHLBank and you, the PFI.

Features:

- CE Fees: Up to 10 basis points (.10%) annualized on the outstanding Master Commitment balances, paid monthly
- Remittance options: Actual/Actual, Actual/Actual Single Remittance, Scheduled/Scheduled
- Servicing Fee: 25 basis points (0.25%) paid monthly

Benefits:

- Competitive execution
- Credit enhancement fee paid monthly
- Economic reward for quality loans
- Same-day delivery and funding
- Servicing-released options available
- No loan level price adjustments

Credit Risk Sharing: How it Works

Borrower equity and, for loans with an original loan-to-value ratio greater than 80%, private mortgage insurance are the initial layers to absorb losses. The MPF Original credit risk sharing structure has an additional three layers of loss protection.

■ First Loss Account

The first additional layer of loss protection is called the First Loss Account, or FLA, and is absorbed by your FHLBank. The monthly accrual rate of the FLA is 4 basis points (0.04%). The FLA starts at zero and builds over time calculated and accrued monthly, on the outstanding principal balance of the loans in a Master Commitment.

■ Credit Enhancement Obligation

Any losses in excess of the accrued amount available in the FLA are allocated to the second layer of loss protection, the CE obligation, which is provided by you, the PFI. The CE obligation amount is equal to the combined total loan level CE calculation for a Master Commitment.

■ FHLBank

Any loan losses that exceed the first and second loss layers under the MPF Original product are absorbed by your FHLBank.